

# MAYOR & COUNCIL AGENDA COVER SHEET

**MEETING DATE:**

February 20, 2007

**CALL TO PODIUM:**

Louise Kauffmann

**RESPONSIBLE STAFF:**

**Louise Kauffmann**  
**Director of Community**  
**Development**

**Cathy Borten, City Attorney**

**AGENDA ITEM:**

(please check one)

	Presentation
	Proclamation/Certificate
	Appointment
	Public Hearing
	Historic District
	Consent Item
	Ordinance
<b>X</b>	Resolution
	Policy Discussion
	Work Session Discussion Item
	Other:

**PUBLIC HEARING HISTORY:**

(Please complete this section if agenda item is a public hearing)

Introduced	
Advertised	
Hearing Date	
Record Held Open	
Policy Discussion	

**TITLE:**

Resolution of the Mayor and City Council Authorizing the City Manager to Negotiate and Execute a Payment in Lieu of Taxes (PILOT) Agreement with Forest Oak Towers Limited Partnership

**SUPPORTING BACKGROUND:**

In July 2006, by resolution, the Mayor and Council approved the acquisition of Forest Oak Towers by the Housing Opportunities Commission of Montgomery County (HOC). This approval was required under the terms of HOC's tax credit application for state financing. HOC has received approval of its financing application, and intends to purchase the property this spring as a limited partnership.

The City had long been concerned that Forest Oak Towers, a 175- unit apartment building in Gaithersburg, could be sold and converted to market rent units. Since 1981, Forest Oak Towers has provided affordable housing to low-income elderly and disabled residents whose rents are limited to 30 percent of their income. The balance of the rent is paid through federal subsidies to the landlord. Recognizing that a sale to a private developer could jeopardize housing for this vulnerable population, the City urged HOC or Montgomery County to purchase the building, thereby ensuring its long-term affordability.

Although no City funds will be used for acquisition or rehabilitation, the City currently provides \$30,000 in grant funds to Home Care Partners, Inc. on behalf of low-income elderly residents. Approximately 90% of the services provided by this agency takes place at Forest Oak Towers.

HOC has requested that the City agree to waive all but \$1.00 per annum in property taxes through a Payment in Lieu of Taxes (PILOT) agreement. Based on the proposed acquisition price, the City estimates an offset of annual property tax revenue in the amount of \$44,150.

HOC is currently negotiating a similar agreement with Montgomery County, but does not qualify for a PILOT agreement with the State of Maryland. If approved, this agreement would expire December 31, 2025 unless otherwise terminated under conditions stipulated in the agreement.

**DESIRED OUTCOME:**

**Vote on Resolution**

RESOLUTION NO. \_\_\_\_\_

RESOLUTION OF THE MAYOR AND CITY COUNCIL AUTHORIZING THE CITY  
MANAGER TO NEGOTIATE AND EXECUTE A PAYMENT IN LIEU OF TAXES  
(PILOT) AGREEMENT WITH FOREST OAK TOWERS LIMITED PARTNERSHIP

WHEREAS, 175 low income elderly or disabled residents reside at Forest Oak Towers Apartments, and the Mayor and City Council believe it is essential that these apartments remain affordable to this population; and

WHEREAS, The Housing Opportunities Commission of Montgomery County as general partner of Forest Oak Towers Limited Partnership, is under contract to purchase Forest Oak Towers to ensure it remains affordable; and

WHEREAS, the Tax Property Article of the Annotated Code of Maryland authorizes municipalities to enter into Payment in Lieu of Taxes Agreements under certain circumstances; and

WHEREAS, the City believes that this acquisition is in the best interest of the residents of Forest Oak Towers and recognizes the benefits and advantages of permitting the Commission to operate Forest Oak Towers because of its expertise and knowledge in management of facilities of like style in other parts of the County; and

WHEREAS, the acquisition by the Commission and its continued operation of Forest Oak Towers will allow the property to continue to be operated for the benefit of elderly persons of low and moderate income, many of whom have been longtime residents of the City of Gaithersburg.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Gaithersburg, that the City Manager is authorized and directed to negotiate and execute a Payment In Lieu Of Taxes (PILOT) Agreement With Forest Oak Towers Limited Partnership.

ADOPTED by the City Council this 20<sup>th</sup> day of February, 2007.

\_\_\_\_\_  
SIDNEY A. KATZ, MAYOR and  
President of the Council

THIS IS TO CERTIFY that the foregoing  
Resolution was adopted by the City Council  
in public meeting assembled on the  
20<sup>th</sup> day of February, 2007.

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David B. Humpton, City Manager